



## Half-Year Results 2016

· Investor presentation, July 21, 2016

· Dr. Norbert Klapper, Group CEO

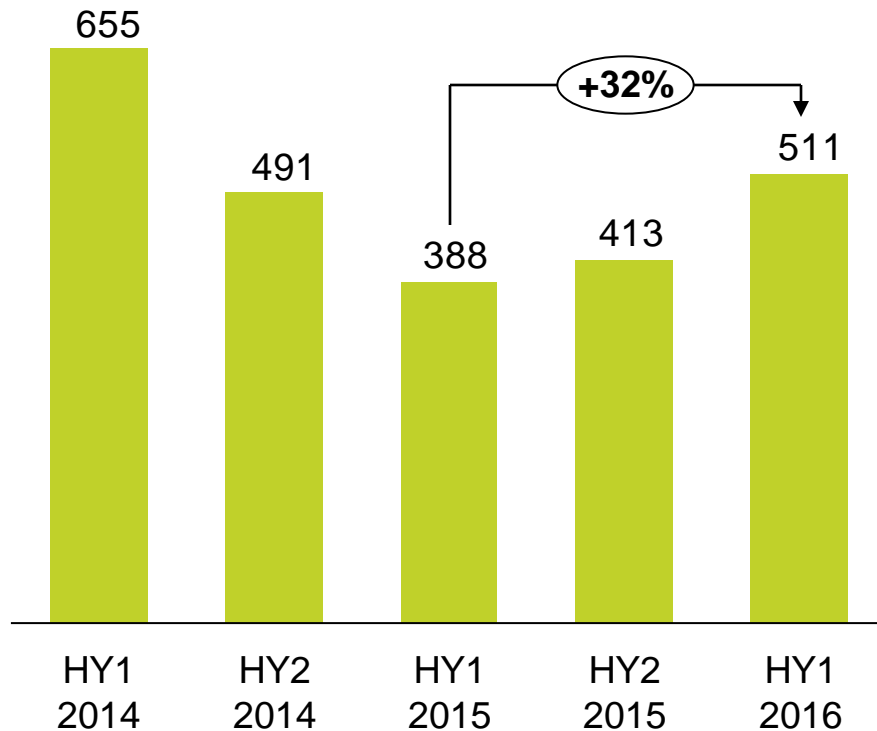
· Joris Gröflin, Group CFO

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1. Introduction and summary HY1 2016 Dr. Norbert Klapper
  2. Financial results HY1 2016 Joris Gröflin
  3. Outlook Dr. Norbert Klapper

# HY1 2016: Key messages today

## Positive development of order intake

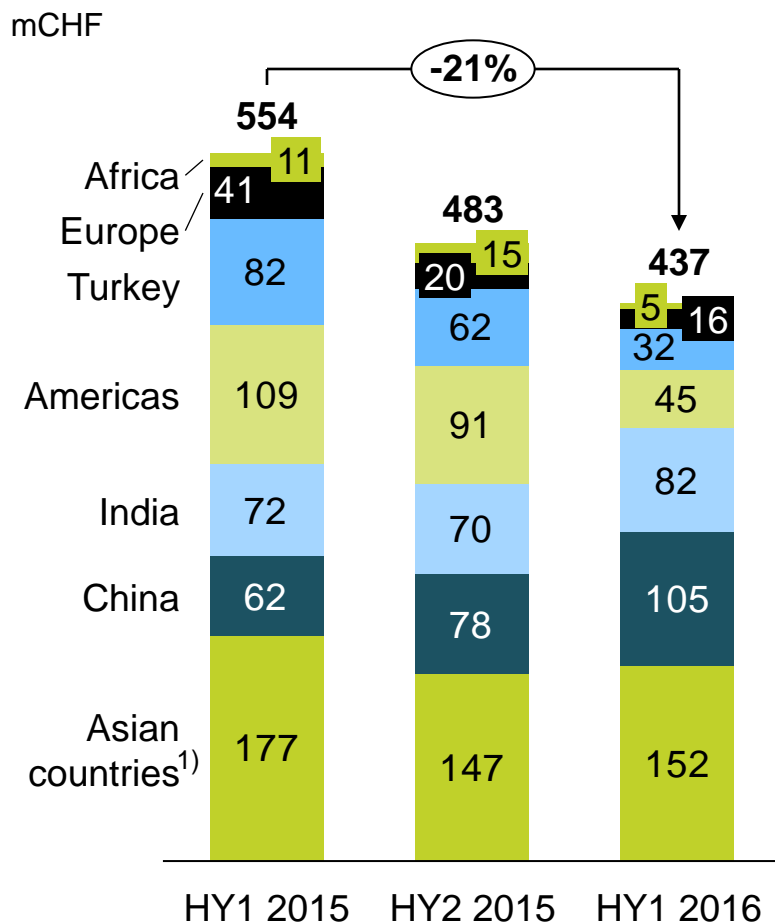
Order intake  
(in mCHF)



- Increase in order intake of 32% at group level and 52% for machinery business
- Significant contribution to results by After Sales and Components
- STEP UP improvement program on track

# Sales development by region

## Lower sales, as expected



- Significant sales to **Asian countries** achieved. Order intake slightly above sales level
- **China** with strong growth against HY1 2015; more than half of sales were generated in the Xinjiang province. Order intake below sales level.
- Increased sales to **India** driven by growing demand for K42 compacting system and strong EliTe business. Order intake slightly below sales level.
- Sales to **Americas** as expected on lower level after previous year's large investment projects. Order intake below sales level.
- Sales to **Turkey** on low level – order intake several times higher than sales level
- **Africa** with good order intake – **Europe** decrease mainly from divestment of Schaltag group

1) Without China, India and Turkey

## Rieter continues to work on achieving the mid-term targets

### Boosting innovative capability:

- Increased R&D activities with 24.4 million CHF (5.6% of sales)
- K 42 system launched
- Focus on man-made fiber capacity of product range at ITMA Shanghai
- Digitalization becoming more important

### Expanding the after-sales business:

- Target to achieve growth of 30% by 2018 (vs. 127.5 million CHF sales in 2014)
- After Sales Excellence initiative ongoing
- Set-up of new sales, service and customer-training facilities in Urumqi (China)

### Increasing profitability:

- Streamlining of production in Winterthur (Switzerland) to achieve cost savings of 15-20 million CHF on track
- After Sales and Components as strong profitability contributors
- Various smaller product margin and structural cost improvement measures at Machines & Systems

1. Introduction and summary of HY1 2016 Dr. Norbert Klapper
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# Rieter – Financial overview HY1 2016



## Orders received substantially over sales

mCHF

<b>Orders received</b>	<b>510.7</b>	<b>+32%</b>	Stronger demand at Machines & Systems and After Sales, Components on healthy level
<b>Sales</b>	<b>436.9</b>	<b>-21%</b>	Positive development of After Sales and Components and lower Machines & Systems sales, as expected
<b>EBITDA</b>	<b>34.4</b>	<b>Margin 7.9%</b>	High profitability of After Sales and Components and volume driven modest Machines & Systems result
<b>Net profit</b>	<b>11.0</b>	<b>EPS 2.42 CHF</b>	Improvement of financial result and income taxes
<b>Capex</b>	<b>10.7</b>	<b>+47%</b>	Current level higher than low previous half year, but below depreciation / amortization
<b>Net liquidity</b>	<b>193.8</b>	<b>+39%</b>	Reduction of net working capital mainly on trade receivables

EPS = Earnings per share

# Rieter – Financial key figures



## EBITDA profitability at 7.9% of sales and positive Free Cash Flow

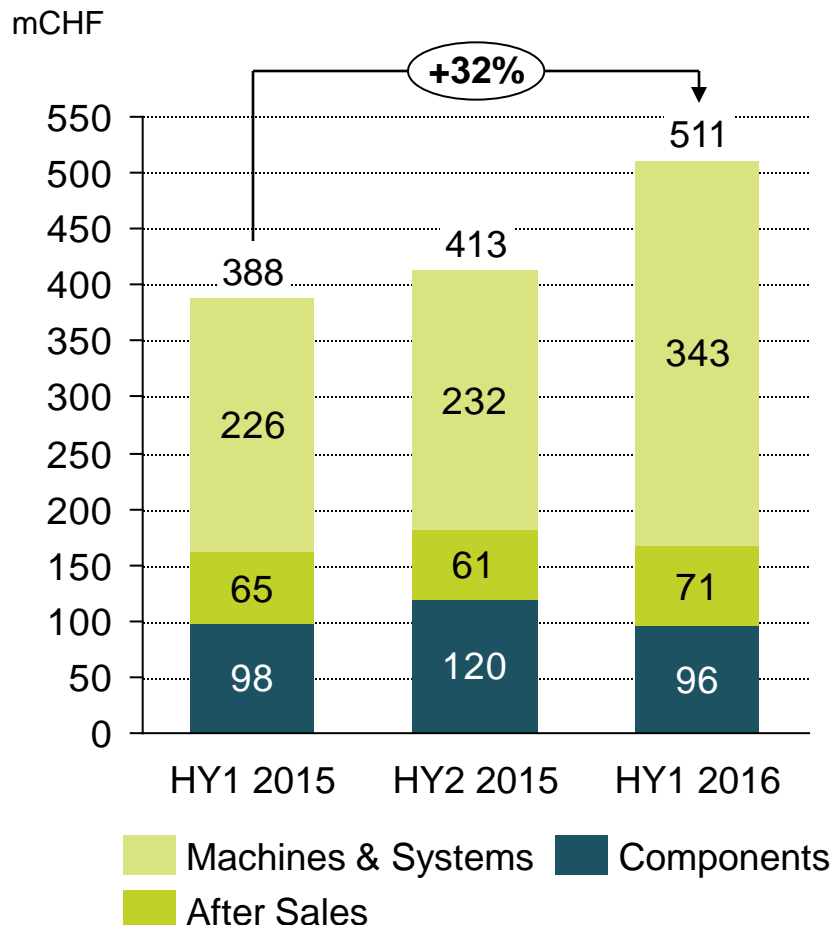
mCHF	<b>HY1 2016</b>	HY2 2015	HY1 2015	FY 2015
Order Intake	<b>510.7</b>	413.3	388.3	801.6
Sales	<b>436.9</b>	482.9	553.9	1 036.8
EBITDA	<b>34.4</b>	49.9	66.0	115.9
EBITDA margin (of sales)	<b>7.9%</b>	10.3%	11.9%	11.2%
EBIT	<b>15.7</b>	27.0	46.1	73.1
EBIT margin (of sales)	<b>3.6%</b>	5.6%	8.3%	7.0%
Net profit	<b>11.0</b>	20.7	29.1	49.8
R&D expenditures	<b>24.4</b>	23.7	22.9	46.6
Capex	<b>10.7</b>	24.3	7.3	31.6
Free Cash Flow	<b>4.5</b>	70.1	-5.1	65.0



# Orders by business group



**Orders received at 510.7 million CHF – strong Machines & Systems demand**

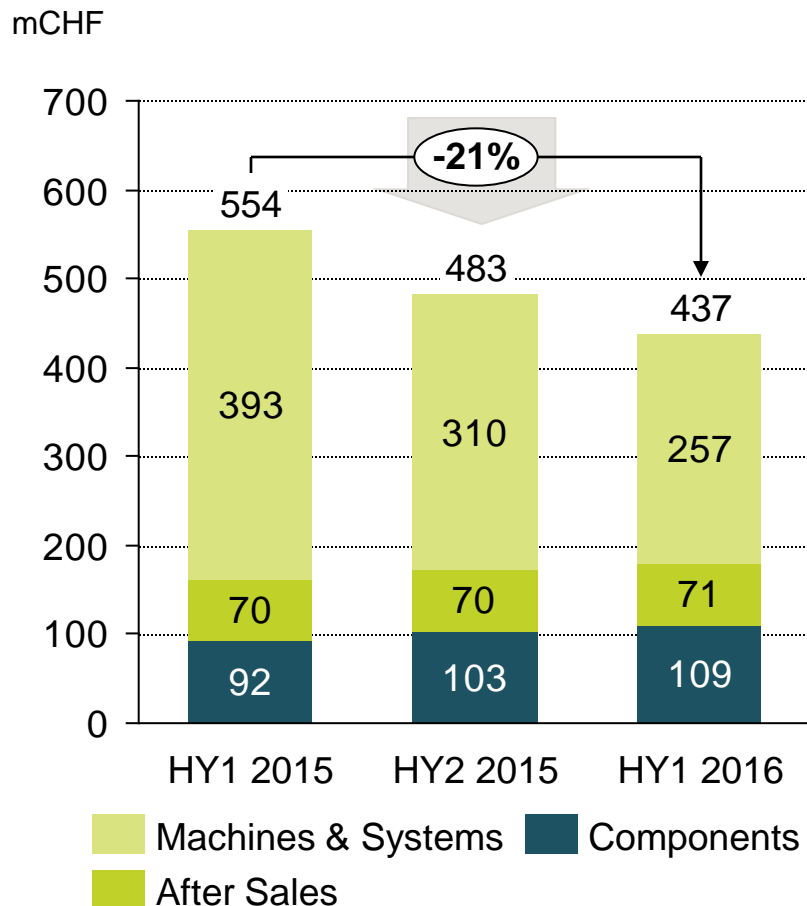


- Rebound: Business Group Machines & Systems with 343.4 million CHF orders received (+ 52% vs. HY1 2015, +54% in local currencies)
- Positive: Business Group After Sales with 71.2 million CHF (+9% vs. HY1 2015, +8% in local currencies)
- Stable: Business Group Components with 96.1 million CHF orders received (-2% vs. HY1 2015, -3% in local currencies)
- Order backlog at June 30 of around 550 million CHF back on previous half year's level

# Sales by business group



## Sales growth by After Sales and Components offset by Machines & Systems



- 41% of sales from After Sales (16%) and Components (25%); 59% of sales from Machines & Systems
- Very positive: Business Group Components with 109.3 million CHF sales (+ 19% vs. HY1 2015, +17% in local currencies)
- Slight growth: Business After Sales with 70.7 million CHF sales with growth in parts business (+ 2% vs. HY1 2015, unchanged in local currencies)
- Low: Business Group Machines & Systems with 256.9 million CHF sales (-35% vs. HY1 2015, -34% in local currencies) as expected, due to low order backlog beginning of year and divestment of Schaltag units

# Change in sales and currency impact



## Main impact on sales from lower volume and price

mCHF	Machines & Systems	After Sales	Components	Rieter Group
<b>Sales HY1 2015</b>	<b>392.7</b>	<b>69.6</b>	<b>91.6</b>	<b>553.9</b>
Volume and price	-116.7	0.3	15.4	-101.0
Currency translation	-1.6	0.8	2.3	1.5
Divestments	-17.5	0.0	0.0	-17.5
<b>Sales HY1 2016</b>	<b>256.9</b>	<b>70.7</b>	<b>109.3</b>	<b>436.9</b>

# Operating result (EBIT)

## EBIT margin at 3.6% of sales

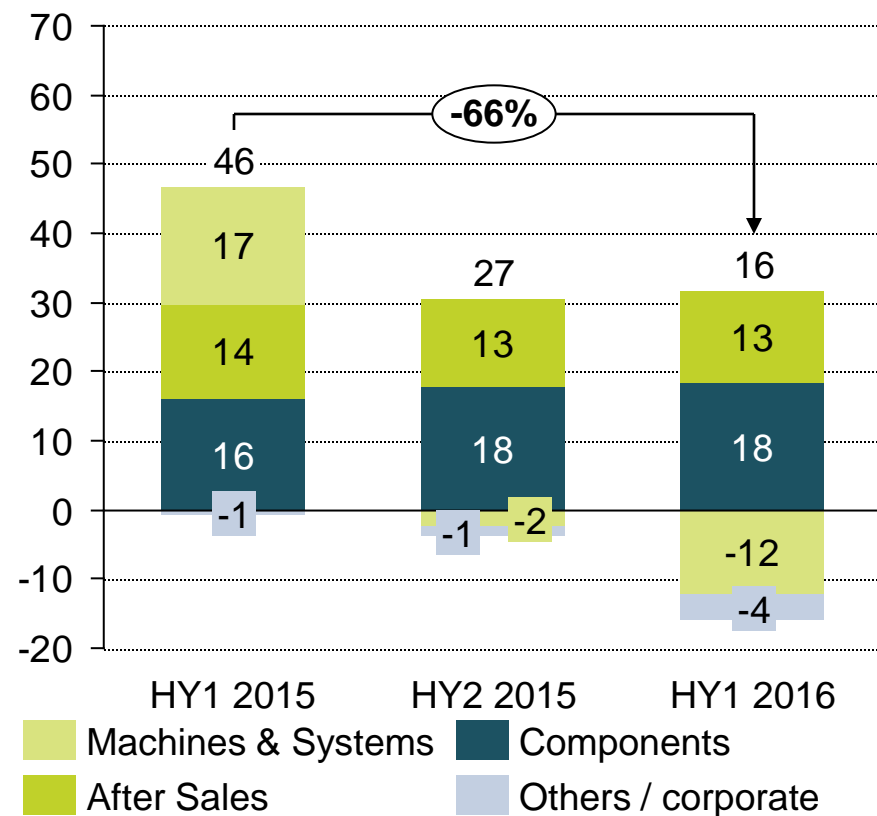
In % of sales

8.3%

5.6%

3.6%

mCHF



Profitability development stems from

- Positive performance at After Sales with 18.7% of sales
- Good profitability of 13.0% of segment sales at Components
- Volume driven profitability decrease at Machines & Systems: Against HY2 2015 52.7 million CHF lower sales and 9.7 million CHF lower EBIT
- Others / corporate: Lower other operating income versus previous half year due to non-recurring disposal gain (5.0 million CHF)

# Net profit and RONA

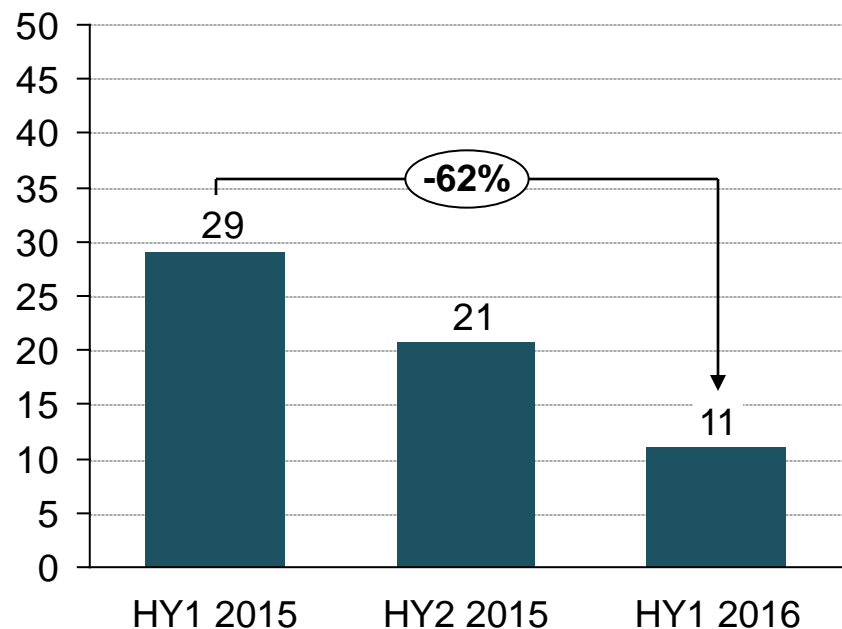
## Net profit margin at 2.5%

In % of sales  
mCHF

5.3%

4.3%

2.5%



- Improvement of financial result to -1.8 million CHF (HY1 2015: -4.7 million CHF) due to lower interest cost
- Income tax at 2.9 million CHF (HY1 2015: 12.3 million CHF)
- Earnings per share at 2.42 CHF (HY1 2015: 6.36 CHF)
- RONA decreased to 4.8%

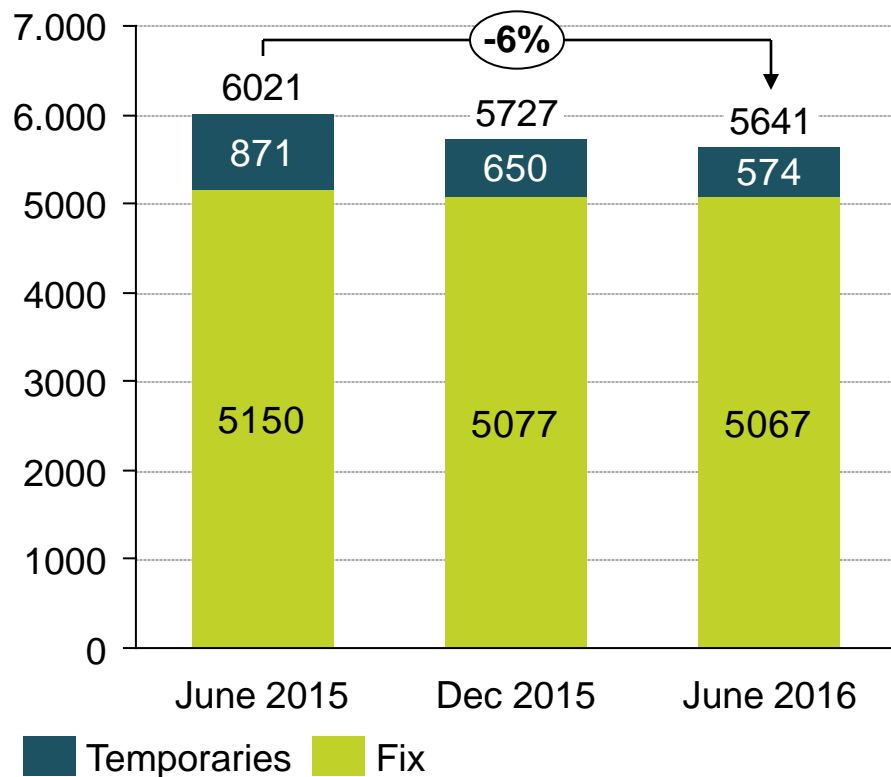
EPS in CHF	6.36	4.56	2.42
RONA in %	10.7%	7.7%	4.8%

# Changes in workforce

## Total workforce drops 6% year-on-year

Temporaries  
in %  
FTE<sup>1)</sup>

14.5%      11.3%      10.2%

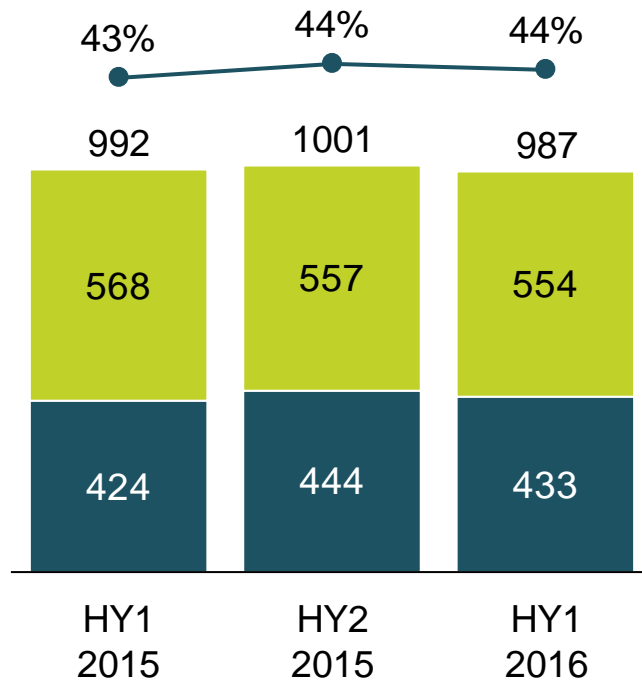


- Fix employees decrease versus HY1 2015 due to divestment of Schaltag group offset by increase mainly in Czech Republic and China
- Temporaries followed the volume and decreased mainly in Switzerland, India and China

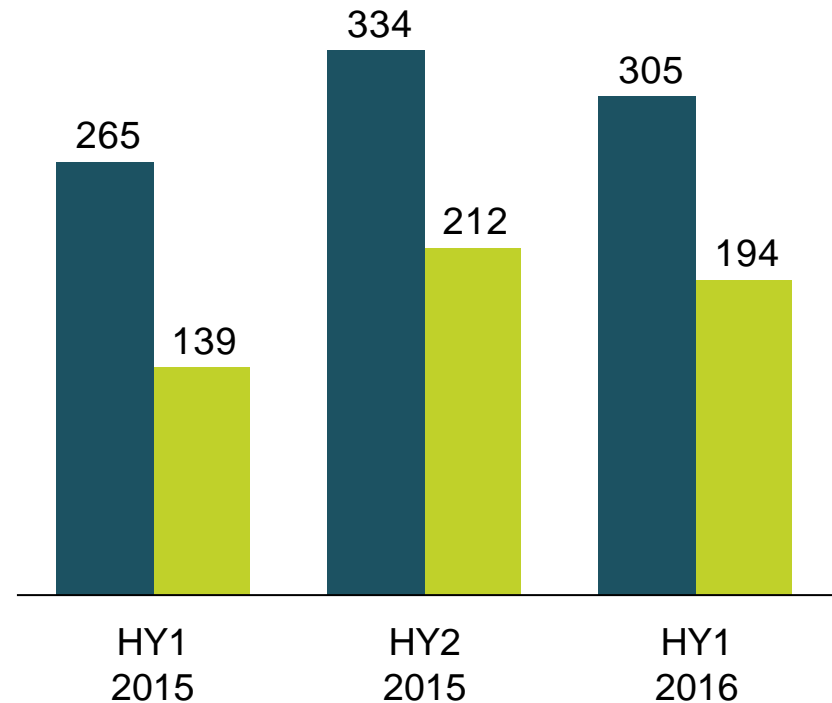
1) Excluding apprentices, including temporary employees

## Net liquidity and equity ratio improved against HY1 2015

**Total assets, equity and equity ratio**  
(in mCHF / in %)



**Liquid funds and net liquidity**  
(in mCHF)



■ Liabilities 
 ■ Equity 
 —●— Equity ratio

■ Liquid funds 
 ■ Net liquidity

# Net working capital



## Seasonal increase of net working capital to 20.8 million CHF

mCHF	<b>30.06. 2016</b>	31.12. 2015	30.06. 2015
Inventories	<b>210.7</b>	191.5	207.8
Trade receivables	<b>54.1</b>	63.7	101.9
Other receivables	<b>56.5</b>	42.1	55.5
Trade payables	<b>-66.6</b>	-86.3	-63.3
Advance payments	<b>-79.1</b>	-71.5	-90.1
Other current liabilities	<b>-154.8</b>	-134.3	-149.7
<b>Net working capital</b>	<b>20.8</b>	5.2	62.1

- Seasonal increase in inventories compared to prior year-end by 19.2 million CHF
- Overall increase in net working capital compared to year-end 2015 by 15.6 million CHF to 20.8 million CHF, but substantially below June 30, 2015 thanks to lower trade receivables

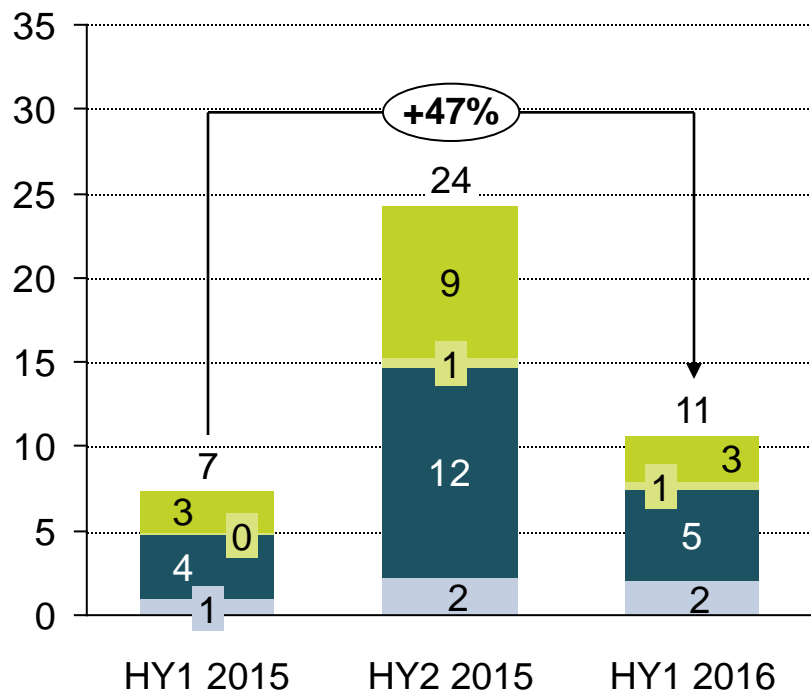


# Capital expenditures / D&A

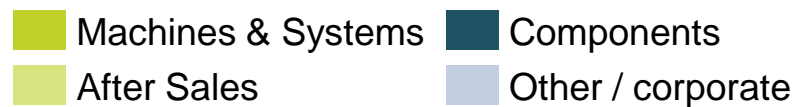
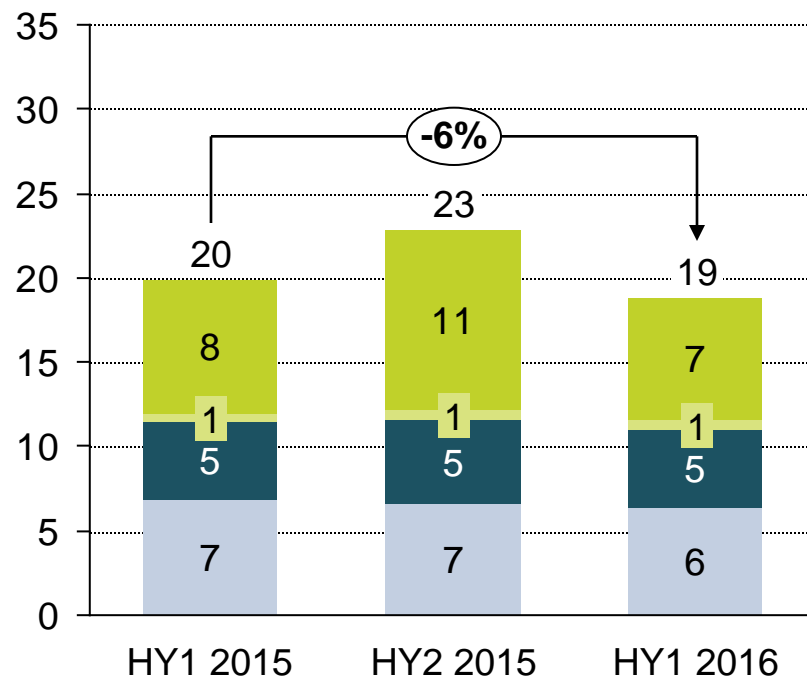
## Capital expenditures below depreciation / amortization level

mCHF

### Capital expenditures



### Depreciation & Amortization



# Free cash flow



## Improved free cash flow compared to HY1 2015 due to modest NWC increase

mCHF	<b>HY1 2016</b>	HY1 2015
Net profit	<b>11.0</b>	29.1
Interest and tax expense (net)	<b>4.0</b>	16.4
Depreciation and amortization	<b>18.8</b>	19.9
+/- Non-cash items / disposal gains	<b>1.0</b>	-5.2
+/- Change in NWC and provisions	<b>-17.8</b>	-46.2
+/- Interest paid / received (net)	<b>0.3</b>	-7.1
+/- Taxes paid	<b>-4.2</b>	-11.6
+/- Capital expenditure	<b>-10.7</b>	-7.3
+/- Proceeds from disposals	<b>1.5</b>	6.2
+/- Change in other financial assets	<b>0.6</b>	0.7
<b>Free cash flow</b>	<b>4.5</b>	-5.1

- Lower net profit with negative impact on free cash flow compared to prior-year (-18.1 million CHF)
- Modest increase in net working capital at June 30, 2016, compared to prior-year period (+28.4 million CHF)

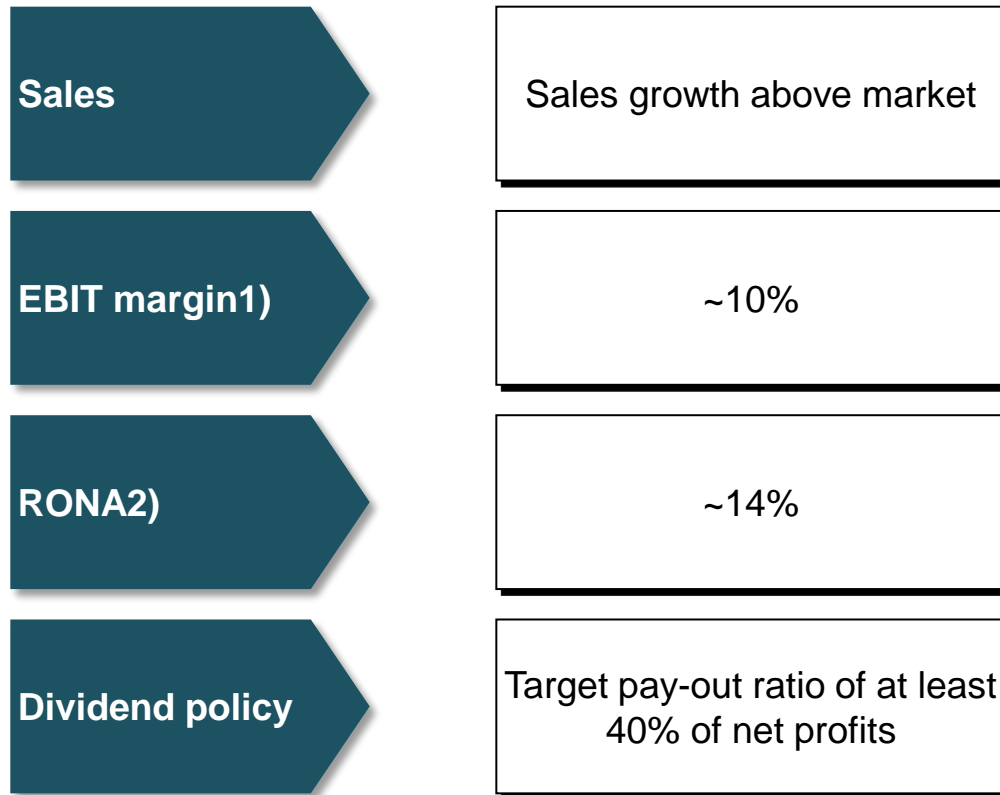
1. Introduction and summary of HY1/16 Dr. Norbert Klapper
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RIETER is the world's leading supplier of short staple spinning systems offering the full range of machines, parts and components

- Creating customer value through
  - system expertise
  - **innovative solutions**
  - **after sales excellence**
  - global presence
- Generating **profitable growth** and value for shareholders over the cycle
- Enabling employees to achieve superior results and to enjoy work

- The first six months of 2016 have been characterized by improved demand for spinning machinery and healthy demand at the Components and After Sales business groups.
- Higher order intake for spinning machinery in the first half of 2016 has led to an increase in order backlog (as at June 30, 2016).
- On the basis of the higher order backlog at Machines & Systems and the continued stable business development of After Sales and Components, Rieter is expecting a stronger second half of the year with regard to sales and profitability in comparison to the first half. The company also expects sales and profit for the whole of 2016 to be lower than in 2015.
- Rieter currently foresees a stable market environment with limited visibility and is continuing to work consistently on the programs geared towards boosting innovative capability, expanding the after-sales business and increasing profitability.

# Strategic focus – mid-term targets



1) At sales of ~1.3 CHF bn

2) RONA is calculated as net result before interest costs and write-off of financial assets divided by net assets excl. financial debt

# Disclaimer

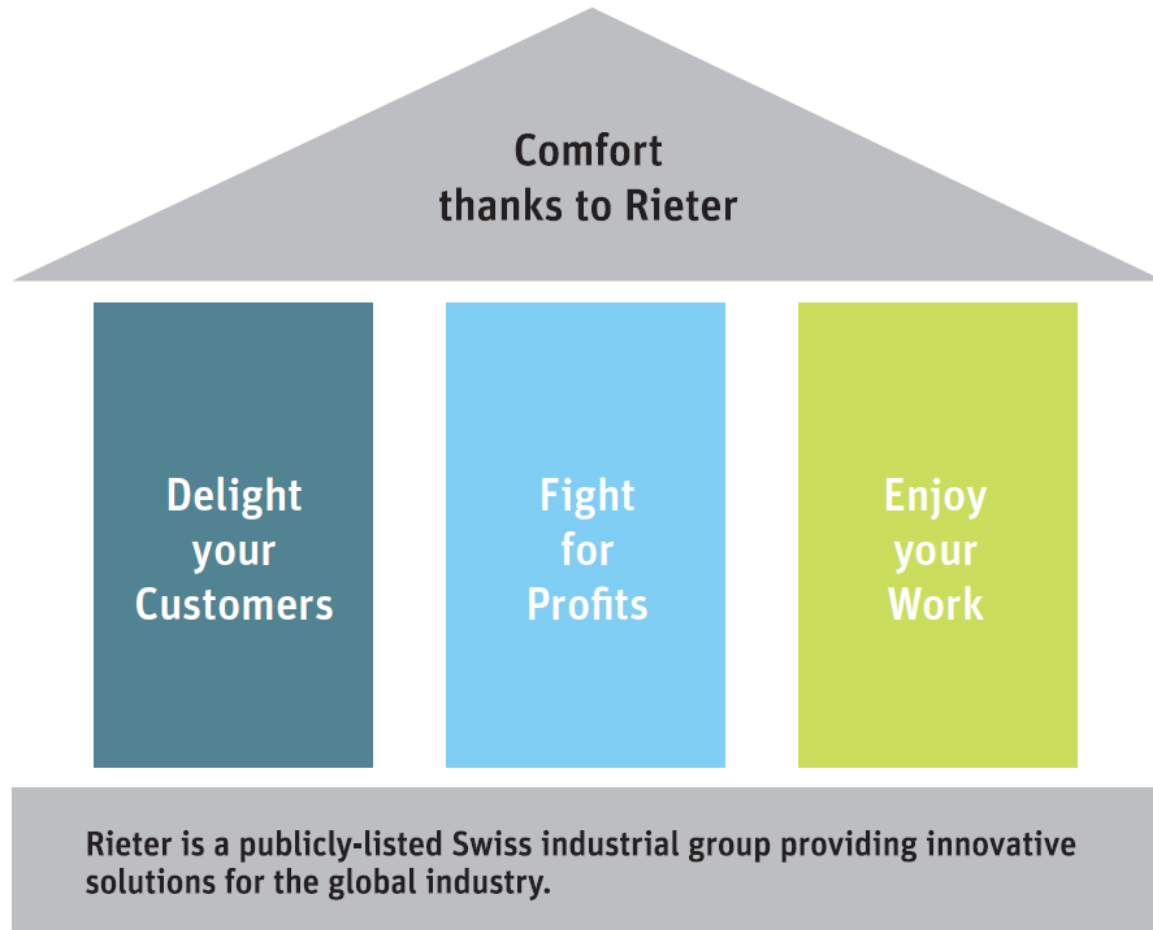
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**All statements in this report which do not reflect historical facts are forecasts for the future which offer no guarantee whatsoever with respect to future performance; they embody risks and uncertainties which include – but are not confined to – future global economic conditions, exchange rates, legal provisions, market conditions, activities by competitors and other factors outside the company's control.**





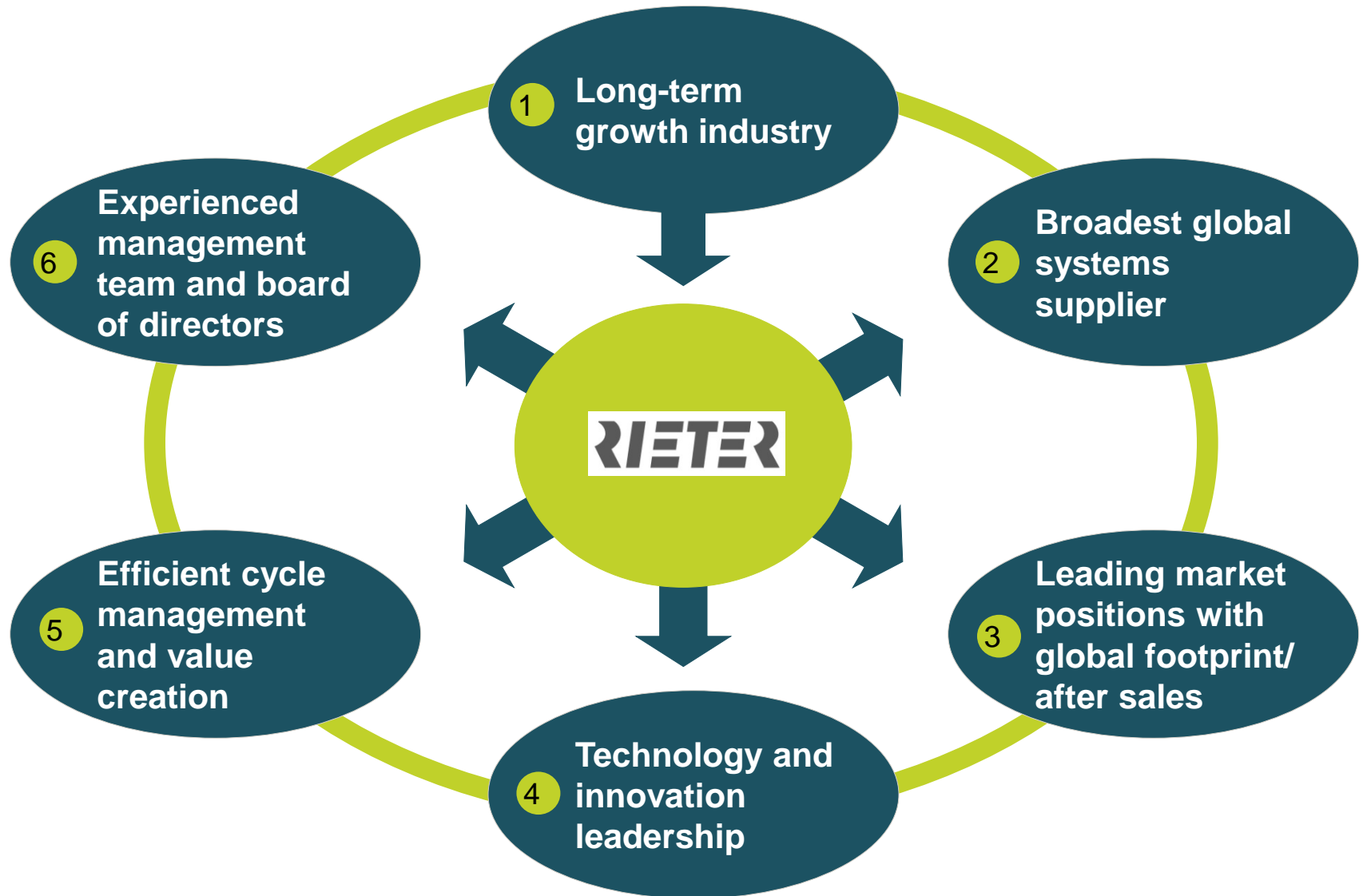


## Key data per share



Rieter registered shares of 5 CHF nominal value Bloomberg: RIEN SW; Thompson Reuters: RIEN.S		<b>30.06.2016</b>	<b>31.12.2015</b>	<b>30.06.2015</b>
Shares outstanding excl. own shares (end of period)		<b>4'518'063</b>	<b>4'511'075</b>	<b>4'581'585</b>
Average shares (of period)		<b>4'515'519</b>	<b>4'550'650</b>	<b>4'577'017</b>
Share price (end of period)	CHF	<b>199.40</b>	<b>188.00</b>	<b>147.80</b>
Market capitalization (end of period)	mCHF	<b>901</b>	<b>848</b>	<b>677</b>

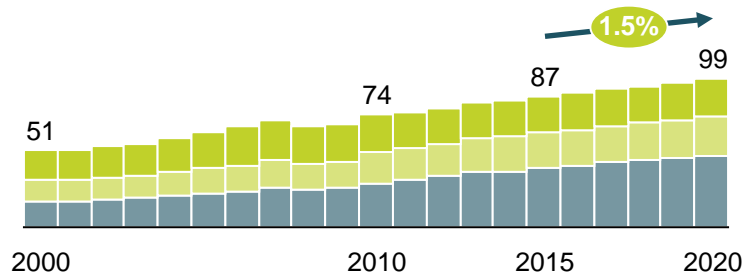
# Key investment highlights of Rieter



# 1 – Long-term growth industry

## Rieter will profit from market drivers and shifts

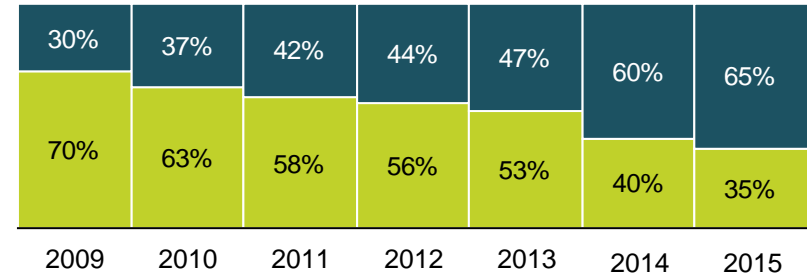
**Textile mill consumption (in million tons)**



- Cotton
- Manmade staple fibres
- Manmade filaments

xx% CAGR short staple fibers  
 Source: PCI Red Book 2015, excl. secondary fibers

**Performance shift (in %)**



- High technology
- Standard technology

Source: ITMF, Rieter

### Market drivers

- Fiber consumption (population, standard of living)
- Short staple vs. filaments (raw material availability, cost, functionality)
- No disruptive technology shift expected

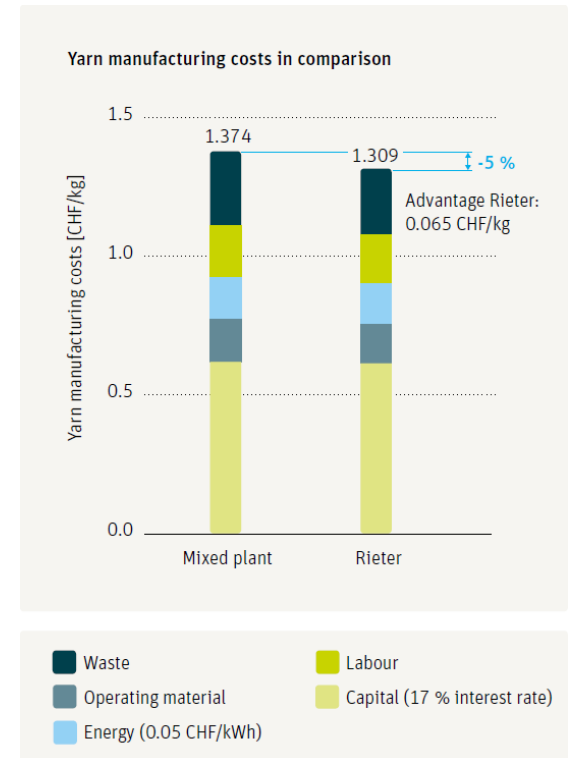
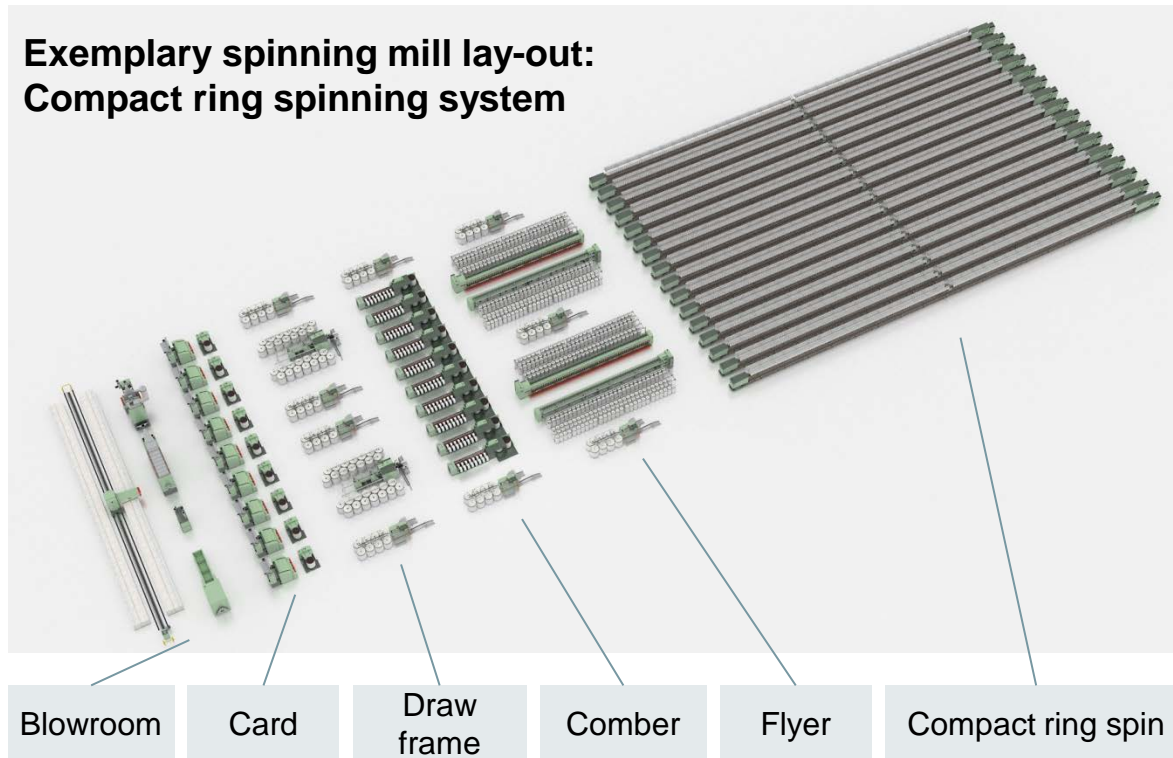
### Market shifts

- Performance
- Regional
- Spinning technology

## 2 – Rieter systems with superior customer value

### Higher total value of ownership for Rieter systems customers

#### Exemplary spinning mill lay-out: Compact ring spinning system



#### Rieter System Value Proposition

- One-stop-shop: providing customer specific systems solutions from bale to yarn; supporting customer throughout the full life-cycle – from mill planning to installation, performance optimization, repair and after sales service
- Systems competence: leading to superior total value of ownership for customers vs. mixed plant solutions
- End-to-end mill management system (SPIDERweb): digital integration offering enhanced mill operation and optimization

## 2 – Rieter: Business Groups



### Strong business model serving a global market

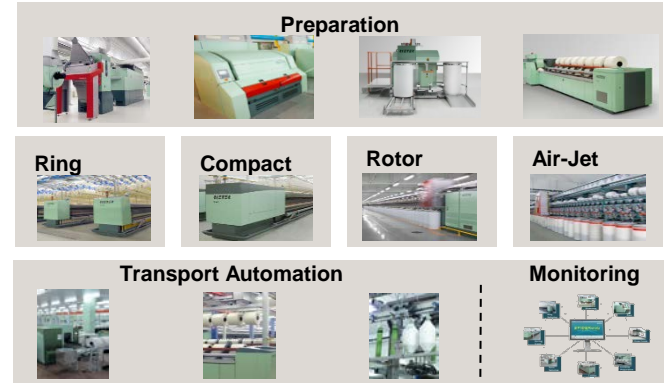
	Machines & Systems	After Sales	Components
			
<b>Customer focus</b>	Spinning mills	Rieter installed base	3rd party installed base and 3rd party OEM's
<b>Products</b>	Machines & Systems (Capital Goods)	Parts, Services & Installation	Parts & Components
<b>Brand(s)</b>	Rieter	Rieter	Four separate brands
<b>Sales 2015 CHF million</b>	702.3	139.8	194.7
<b>EBIT 2015 CHF million (% sales)</b>	14.8 (2.1%)	26.5 (19.0%)	33.7 (17.3%)
<b>Priorities:</b>	<ul style="list-style-type: none"> <li>• System expertise</li> <li>• Cycle management</li> </ul>	<ul style="list-style-type: none"> <li>• Profitable growth on Rieter installed base</li> <li>• Differentiation</li> </ul>	<ul style="list-style-type: none"> <li>• Profitable growth on third-party installed base</li> </ul>

## 2 – Rieter: Business Groups



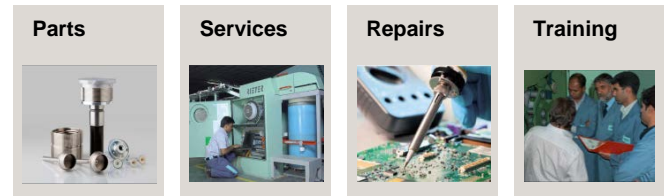
### Machines & Systems

- Leading position in high-end segment for all fields of activity
- Recognized as an innovation leader with superior products



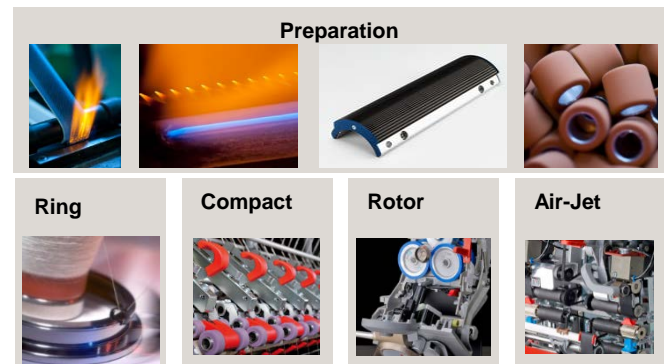
### After Sales

- Best support to leverage customers' investment in Rieter machinery over the entire product life cycle
- Worldwide presence, close to markets



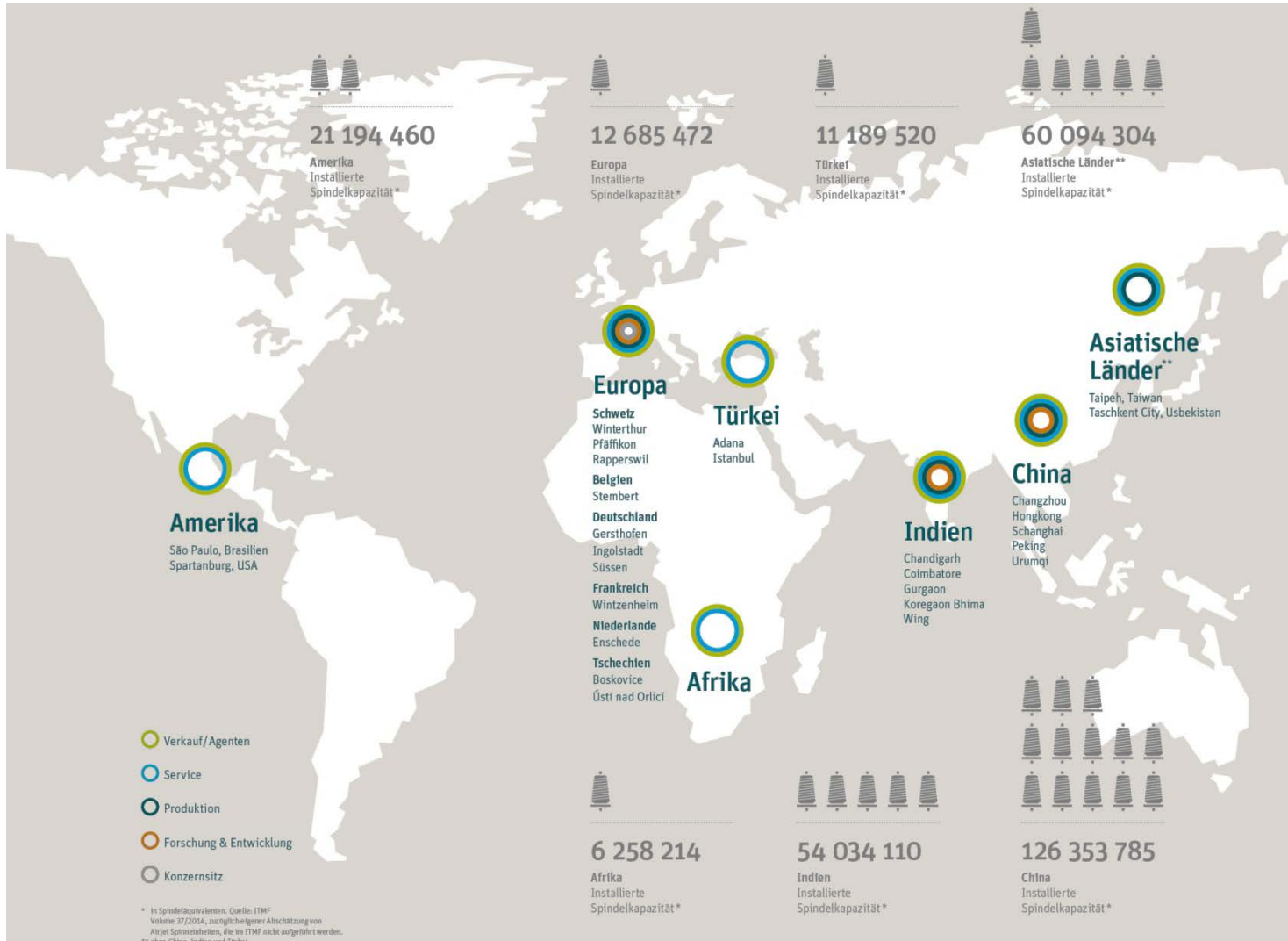
### Components

- Supply to 3<sup>rd</sup> party OEMs underlines position in textile components
- By far largest supplier of textile components for spinning machines



# 3 – Leading market positions with global footprint

## Strong global production, sales and service footprint to serve key markets



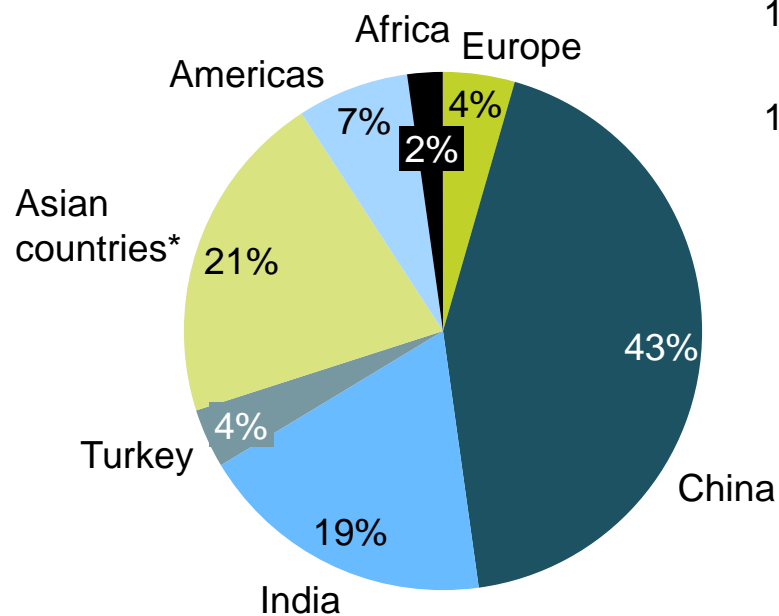


# 3 – Leading market positions with global footprint

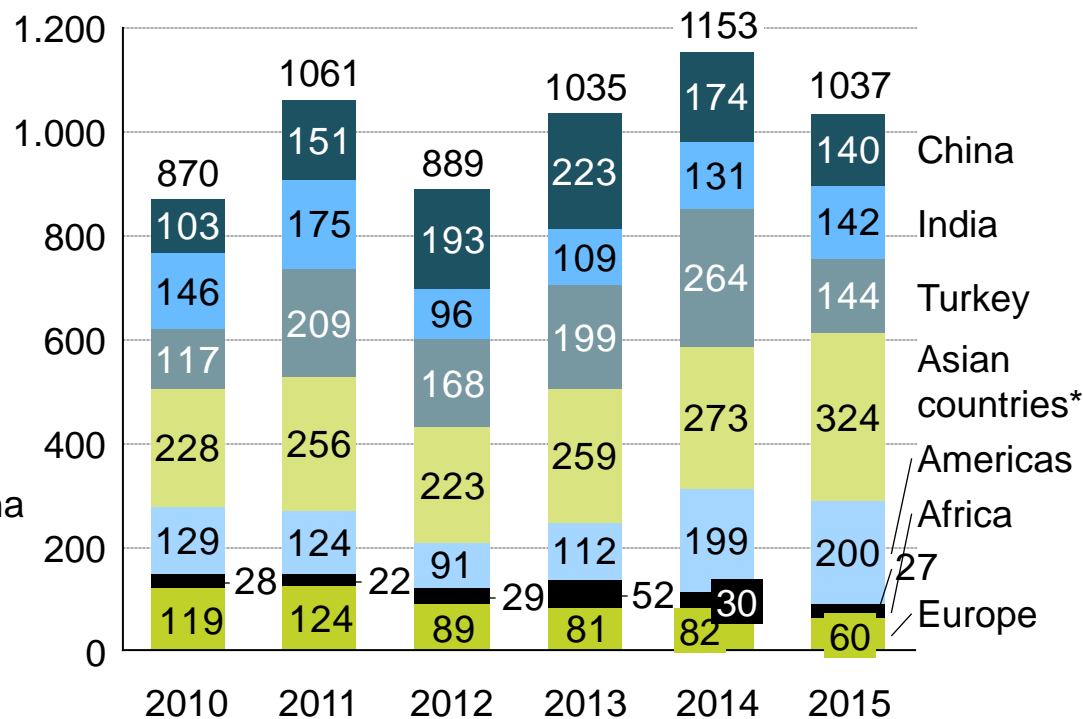


## Continuous increase of sales in Asia

World-wide installed capacity (spindle equivalents) in %



Rieter sales in CHF million





















Source: ITMF 2014

\*without China, India, Turkey

# 4 – Technology and innovation leadership



## Past break-through examples prove technology and innovation leadership

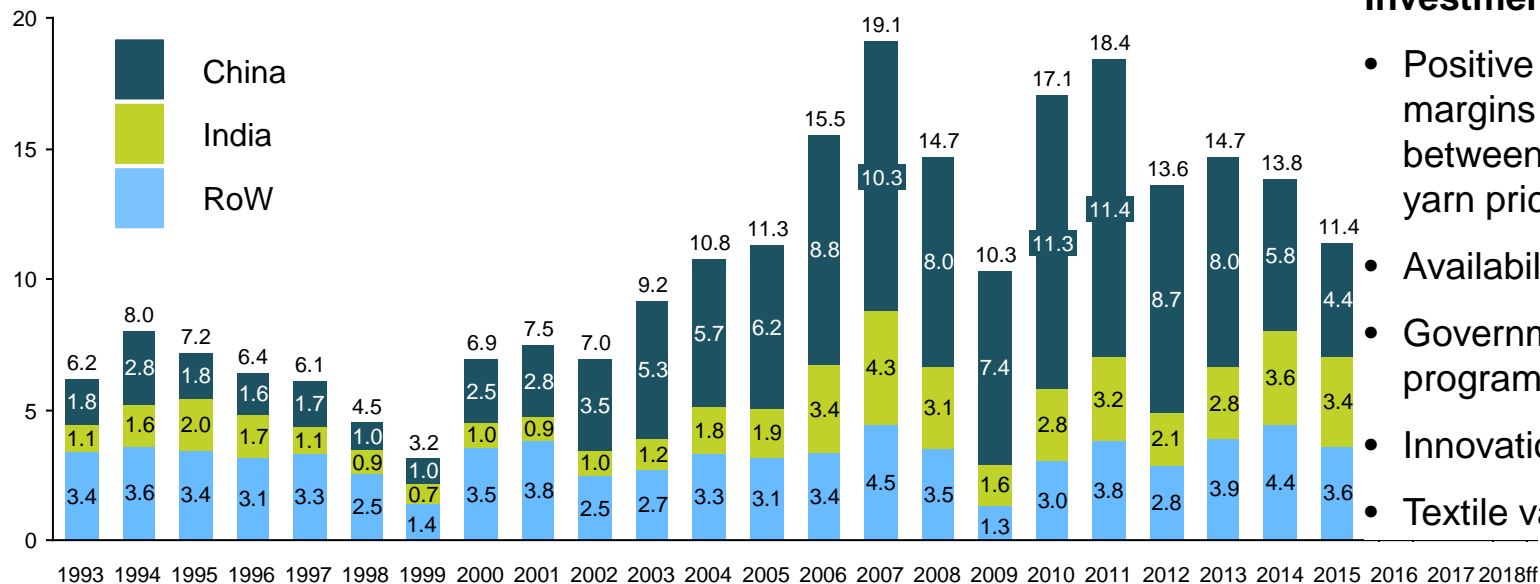
<b>Machines &amp; Systems</b>	<b>Widest, self sharpening card</b> 	<b>OMEGAlap (combing prep.)</b> 	<b>Double-head autolevel. draw frame</b> 	<b>New Air-Jet Machine</b> 	<b>Compact spinning machine K 46</b> 	<b>Rotor spinning machine R 66</b> 
	2001	2004	2009	2010	2013	2015
<b>After Sales</b>	<b>IGS classic</b> 	<b>Flow+</b> 	<b>AC Servocombi</b> 	<b>R 1 / R 20 Clip-on OR</b> 	<b>Suction tube ECOrized</b> 	<b>Wobble disk</b> 
	1995	2008	2009	2012	2013	2015
<b>Components</b>	<b>TITAN ring</b> 	<b>EliTe® compacting unit</b> 	<b>Primacomb®</b> 	<b>Spinbox S 60</b> 	<b>Spinbox S 35</b> 	<b>CROCOdoff forte</b> 
	1997	2002	2009	2011	2013	2015

# 5 – Efficient cycle management and value creation



## Rieter's market is characterized by cyclical fluctuations

Spindle equivalents (shipments) - in million



### Investment cycle triggers:

- Positive spinning mill margins (conversion between raw material and yarn price)
- Availability of financing
- Government incentive programs
- Innovations
- Textile value chain shifts

### Future growth drivers

Growing fiber demand calls for additional capacity beyond productivity gains

Trend to increasing quality, fineness and automation

Replacement of installed capacity

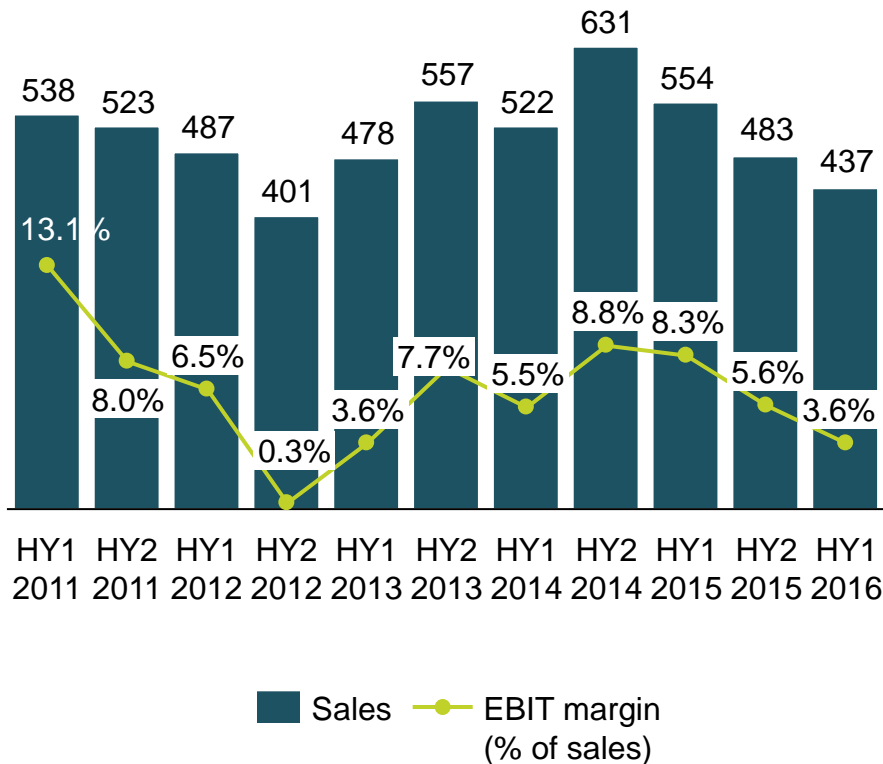
Source: ITMF 2014, Rieter

# 5 – Efficient cycle management and value creation



## Focus on profitability

**Sales and profitability development**  
(CHF million)



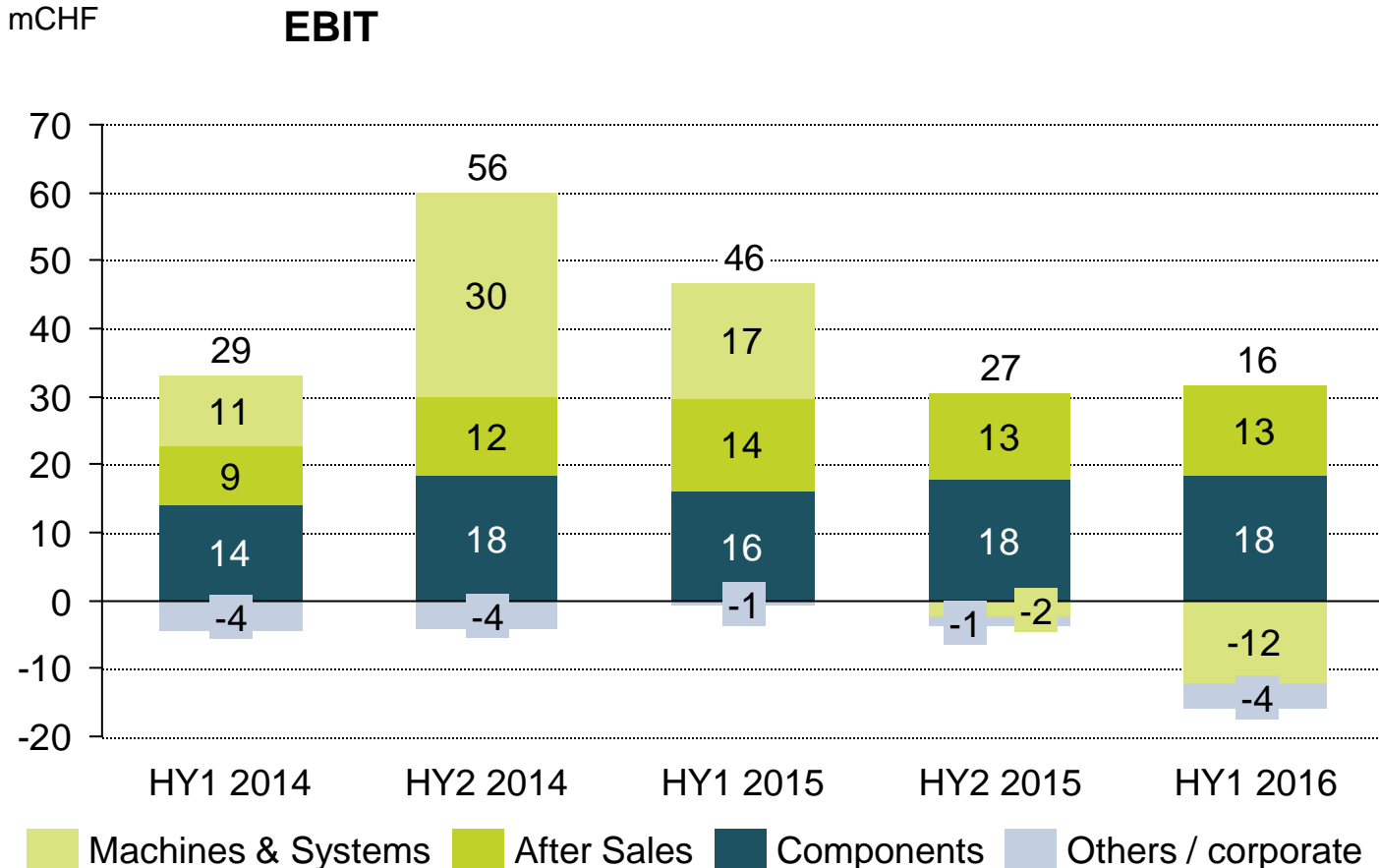
### Profitability improvement measures:

- Increase of share of high-margin business
- Value-based pricing
- Improvement of product margins
- Optimized utilization of existing capacity
- Reduction of structural costs
- Priorities adjusted to master challenges of new currency scenario

# 5 – Efficient cycle management and value creation



## Significant share of EBIT stems from After Sales and Components



# Profitability improvement mid-term: 10% EBIT margin



## Key initiatives lead to the profitability improvement

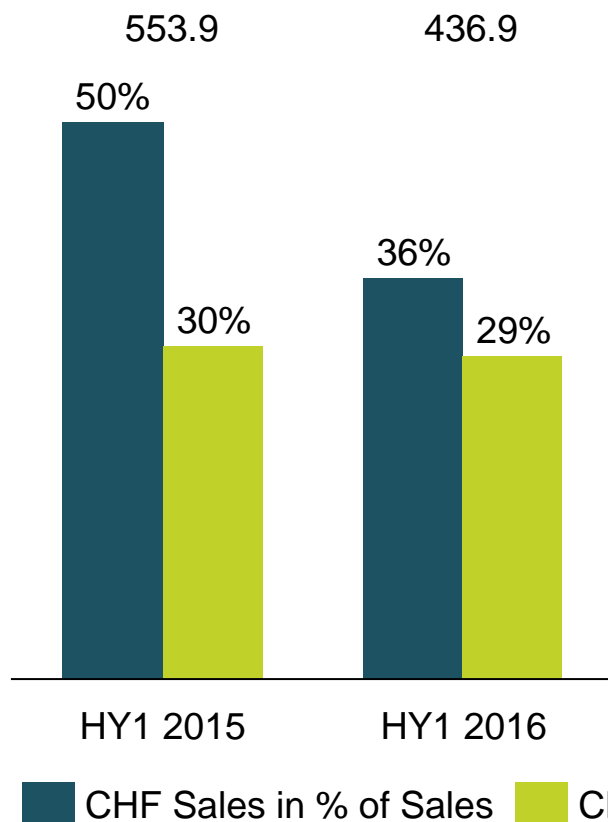
		HY1 2014	HY2 2014	HY1 2015	HY2 2015	HY1 2016	Key initiatives	Mid-term Target <sup>1)</sup>
Sales (mCHF)	Machines & Systems	376.1	477.4	392.7	309.6	256.9	Innovation / CN,IN / Pricing	
	After Sales	59.6	67.9	69.6	70.2	70.7	After Sales Excellence	>166
	Components	86.4	86.0	91.6	103.1	109.3	Innovation / Market presence	
	<b>Rieter Group</b>	<b>522.1</b>	<b>631.3</b>	<b>553.9</b>	<b>482.9</b>	<b>436.9</b>		<b>~1300</b>
EBIT (mCHF)	Machines & Systems	10.6	30.0	17.2	-2.4	-12.1	Winterthur production / cost	
	After Sales	8.5	11.5	13.6	12.9	13.2	Follows topline growth	
	Components	14.1	18.4	16.0	17.7	18.4	Follows topline growth	
	Others / corporate	-4.4	-4.1	-0.7	-1.2	-3.8	Cycle management / cost	
	<b>Rieter Group</b>	<b>28.8</b>	<b>55.8</b>	<b>46.1</b>	<b>27.0</b>	<b>15.7</b>		<b>130</b>
EBIT in %	<b>Rieter Group</b>	<b>5.5</b>	<b>8.8</b>	<b>8.3</b>	<b>5.6</b>	<b>3.6</b>		<b>10</b>

# Rieter's Swiss franc exposure



## Additional measures initiated to reduce negative impact of strong CHF

Sales in  
mCHF



- Swiss franc cost exposure reduced since 2011
- Investments in China and India as well as Czech Republic allow for greater flexibility
- Rieter is streamlining production and reducing purchasing volume in Switzerland in order to compensate lower Swiss franc denominated prices

Note: Sales currency denomination in HY1 2016 was as follows: 36% of sales in Swiss francs, 36% in euros and 6% in US dollars and 22% in other currencies

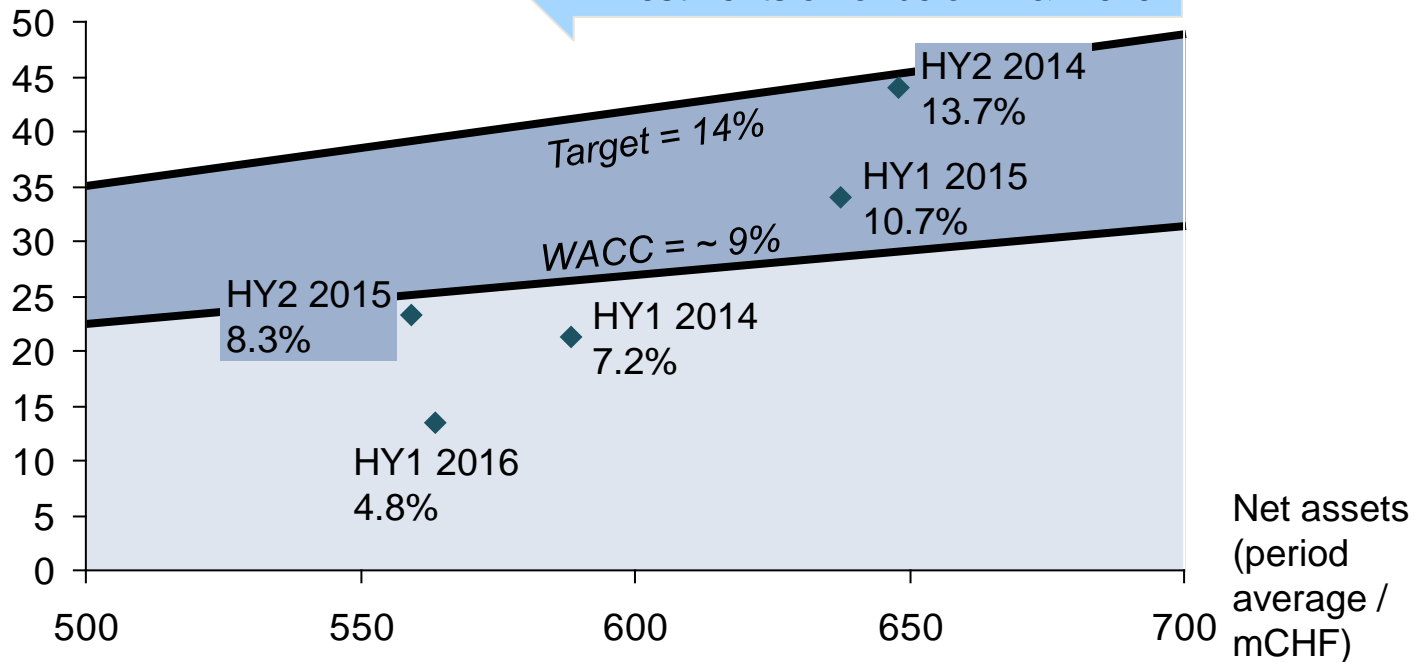
# Profitability improvement mid-term: 14% RONA

## Reduction of net assets with increased profitability in order to achieve target

Net profit by half-year  
(before interest cost / mCHF)

- Reduction of net working capital
- Sale of non-core assets
- Investments on or below D&A level

- Profitability initiatives
- Cycle management





## Return on net assets (RONA) of 4.8% below cost of capital

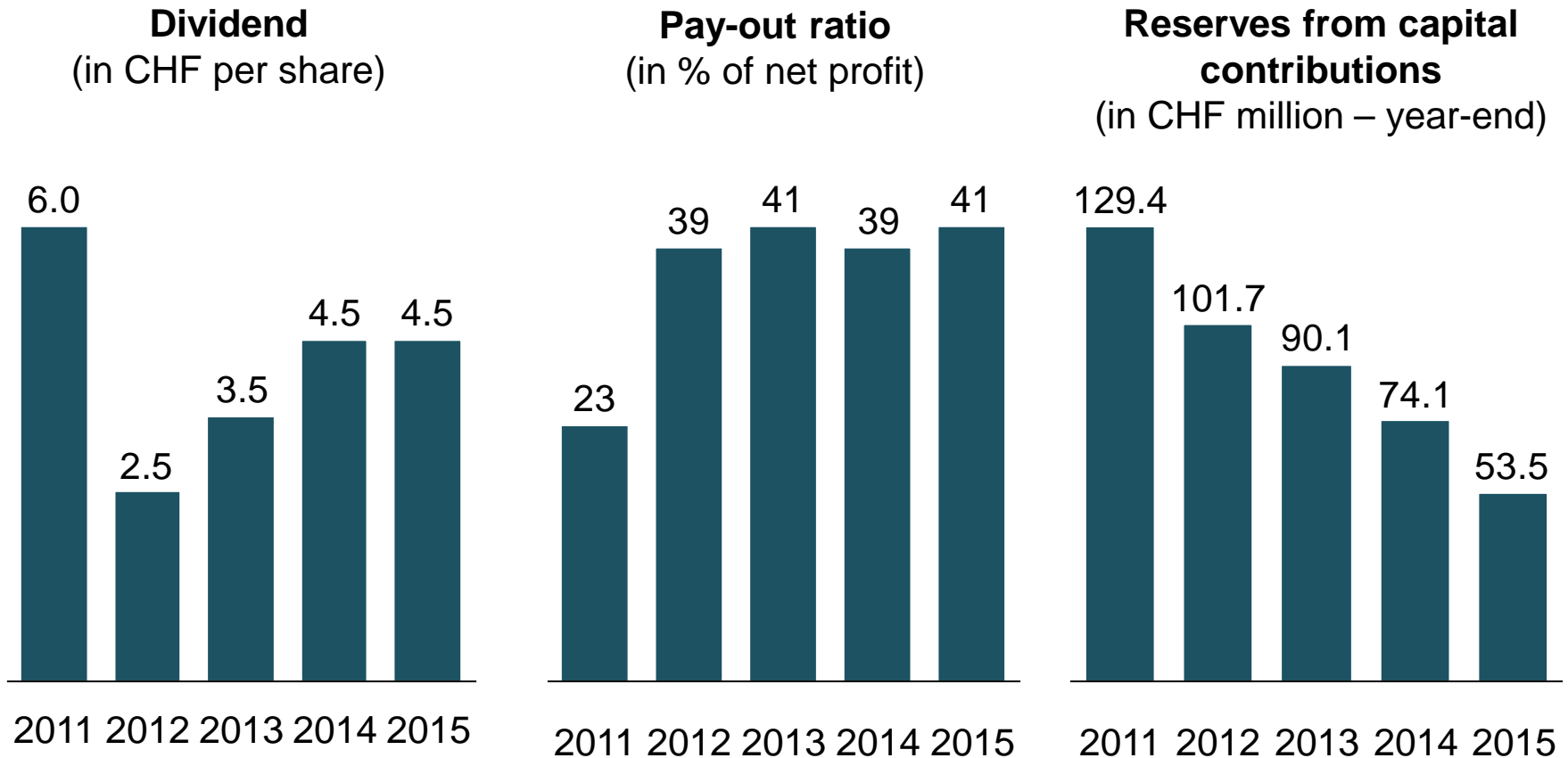
mCHF	30.06.2016	31.12.2015	<b>HY1 2016</b>
Non-current assets	360.4	370.1	
Inventories and receivables	321.3	297.3	
Liquid funds	305.4	334.0	
<b>Total assets</b>	<b>987.1</b>	<b>1 001.4</b>	
Non-current liabilities (excl. financial debt)	-142.3	-143.9	
Current liabilities (excl. financial debt)	-300.5	-292.1	
<b>Net assets (excl. financial debt), average*</b>	<b>544.3</b>	<b>565.4</b>	<b>563.7</b>
Net profit HY1 2016			11.0
Interest cost HY1 2016			2.5
<b>Net profit before interest cost HY1 2016</b>			<b>13.5</b>
RONA HY1 2016 in %			4.8%

\* 6 month rolling average

## 5 – Efficient cycle management and value creation



### Dividend of CHF 4.50 paid out for 2015



## 6 – Experienced management team and BoD



### BoD and management team as of April 2016

#### Board of Directors

**Erwin Stoller**

*Chairman of the Board of Directors*  
since 2008

**This E. Schneider**

*Lead Director*  
since 2009

**Roger Baillod**

since 2016

**Bernhard Jucker**

since 2016

**Michael Pieper**

since 2009

**Hans-Peter Schwald**

since 2009

**Peter Spuhler**

since 2009

#### Management team

**Dr. Norbert Klapper**

*Chief Executive Officer*  
since 2014

**Thomas Anwander**

*General Counsel and Company Secretary*  
since 2011

**Joris Gröflin**

*Chief Financial Officer*  
since 2011

**Carsten Liske**

*Head Business Group After Sales*  
since 2015

**Jan Siebert**

*Head Business Group Machines & Systems*  
since 2016

**Werner Strasser**

*Head Business Group Components*  
since 2011